



SAN DIEGO COUNTY POOLED MONEY FUND

PORTFOLIO

February 2007

DAN McALLISTER TREASURER'S COMMENTARY



The Federal Open Market Committee (FOMC) currently has the Federal Funds target rate set at 5.25% with a bias of inflation risk, unchanged since the June 29th meeting of last year. Prior to this, the FOMC had programmatically raised rates by 25bps at each of its seventeen preceding meetings. U.S. Treasury rates drifted lower during October and November, with December's increase in interest rates leaving them slightly higher through the quarter. The U.S. stock market posted positive mid- single digit returns during the quarter, locking in mid-double digit returns for the calendar year.

With the FOMC rate hike program suspended this past spring, market participants braced for an economic slowdown. The economy posted improved numbers for the last two months of 2006, after experiencing signs of softening during four previous months. At the outset of 2007, market consensus is that 2006 Q4 GDP will be in the 3.0% area and the

FOMC will keep the target rate at 5.25% for the foreseeable future. Economic data should continue to drive interest rate and stock market movements, until a clearer trend of strengthening or weakening is manifested.

The yield curve has been flat, to inverted, for most of the past 12 months. Some market participants anticipated a need by the FOMC's to reduce the target rate to avoid a possible recession. They cite historical research indicating that the FOMC lowers rates 6 to 9 months after they have stopped raising them.

This past spring and early summer, we extended maturities of the County Pooled Fund and locked in higher 2 - 3 year yields. Subsequently, we have added securities with shorter maturities taking advantage of the higher rate short rates of an inverted curve.

Dan McAllister
Treasurer-Tax Collector

CALENDAR OF EVENTS

The County of San Diego Treasurer-Tax Collector's office will be holding a 3-Day workshop with seminars highlighting the topics of investing public funds and cash handling. Day 1 will feature Keynote Address Speaker, State Treasurer, Bill Lockyer. The schedule for the workshop is as follows:

Day 1 - Investing Public Funds	February 14, 2007
Day 2 - Cash Handling	February 15, 2007
Day 3 - Cash Handling: Train the Trainer	February 16, 2007

For more information please contact: Orgia Senior at (619) 531-5222 or see details online at http://www.sdtreastax.com/0702_inv.html

S A F E T Y • L I Q U I D I T Y • R E T U R N

The San Diego County Pooled Money Fund is rated AAf/S1 by Standard & Poors

SAN DIEGO COUNTY'S POOLED MONEY FUND BALANCE	December 31, 2006	September 30, 2006	CHANGE
MARKET VALUE	\$4,915,943,193	\$3,401,776,853	\$1,514,166,340

The balances shown here reflect the cyclical nature of the Pooled Money Fund and include contributions and/or withdrawals during the period.

SAN DIEGO COUNTY POOLED MONEY FUND

SUMMARY OF POOLED MONEY FUND AS OF DECEMBER 31, 2006

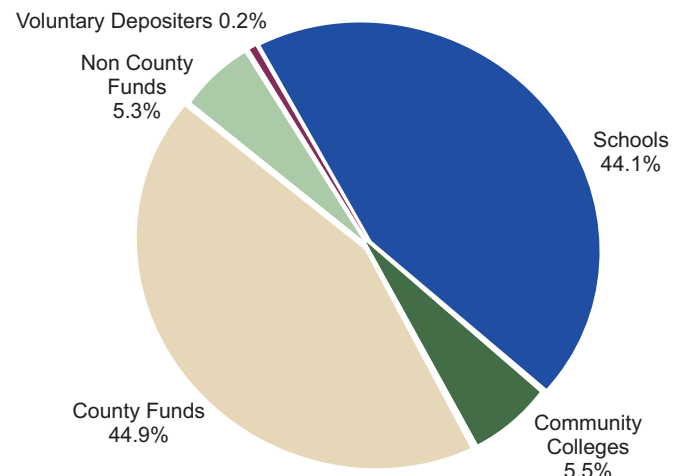
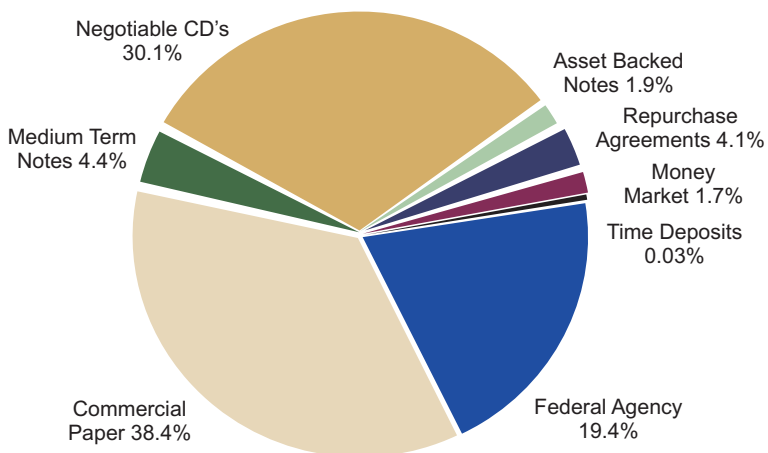
Investment Type	Book Value	Percent of Portfolio at Market	Market Value
Federal Farm Credit Bank Notes	184,000,000	3.71%	182,558,017
Federal Home Loan Bank Notes	328,085,729	6.67%	327,914,345
Federal Nat'l Mortgage Assoc. Notes	150,000,000	3.03%	149,111,518
Federal Home Loan Mortgage Corp. Notes	296,089,009	6.01%	295,323,815
Corporate Medium Term Notes	217,634,433	4.41%	216,881,154
Asset Backed Notes	90,806,363	1.85%	91,107,980
Money Market Funds	85,450,000	1.74%	85,450,000
Repurchase Agreements	201,270,056	4.09%	201,270,056
Negotiable Certificates of Deposit	1,478,736,296	30.09%	1,479,189,790
Commercial Paper	1,879,879,286	38.35%	1,885,445,520
Collateralized Certificates of Deposit	1,691,000	0.03%	1,691,000
Totals for December 2006	\$4,913,642,171	100.0%	\$4,915,943,193
Totals for September 2006	\$3,407,340,765		\$3,401,776,853
Change from Prior Quarter	\$1,506,301,406		\$1,514,166,340
Portfolio Effective Duration	0.368 Years		

Detailed information on the Pooled Money Fund's investment holdings is available at www.sdtreastax.com.

PORTFOLIO RETURNS

	December 2006 Return	Annualized	FY to Date	Annualized	Calendar Year to Date	Annualized
Book Value	0.434%	5.112%	2.452%	4.864%	4.455%	4.455%
Market Value	0.521%	6.131%	3.312%	6.571%	5.878%	5.878%

Pooled Money Fund Asset Allocation and Participation as of December 31, 2006



PORTFOLIO COMMENTARY

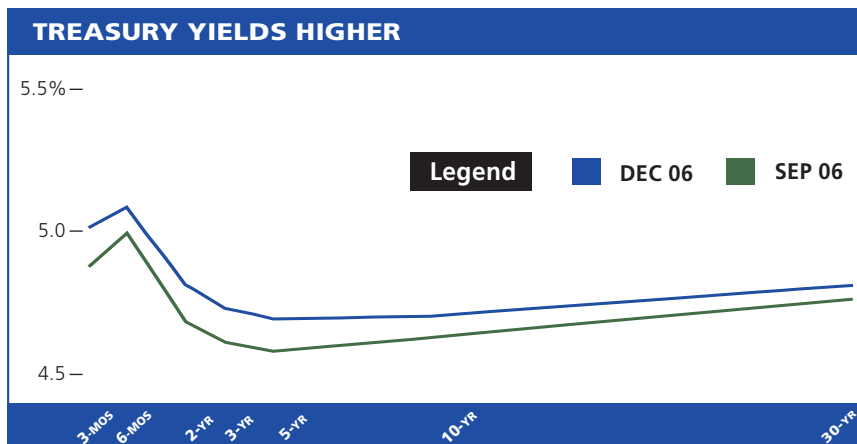
The County Pooled Fund was positioned to take advantage of the changes in the yield curve throughout 2006. During 2006, Pool yields climbed by 1.56% to end the year at 5.07%. In addition to the strategies employed below, the Pool yield benefitted from lower coupon investments of lower interest rate environments finally maturing.

During the first half of 2006, we extended maturities and secured attractive coupon levels in investments of two and three year maturities. This was done with a market backdrop of rising interest rates, as the Federal Open Markets Committee (FOMC) finally brought its rate hike program to completion.

By this past summer, the market consensus was that the next move of the FOMC would be to lower rates. During this time, the yield curve became inverted in maturities of one to five years. The pool shortened its weighted average maturities over the second half of the year. These investments of shorter maturities yielded up to 50 to 75 basis points (100 basis points equals 1.0%) more than might have been achieved in the two to three year portion of the yield curve at that time.

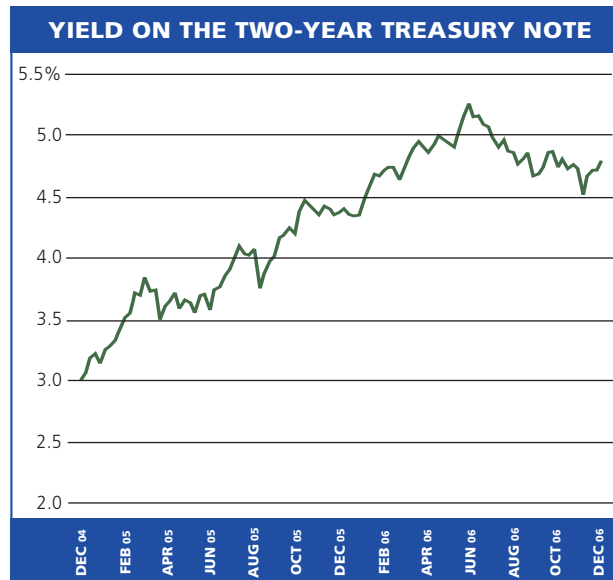
As we move forward into 2007, our maturities remain shorter taking advantage of the inverted yield curve and in anticipation of a first quarter realignment of the portfolio.

MARKET WATCH



Source: Bloomberg

During the fourth quarter, interest rates increased across all maturities and the yield curve shifted higher. The highest yields remain in the 6 month sector, producing what is known as an inverted yield curve.



Source: Bloomberg

The yield on the two year treasury note has declined since reaching a high of 5.28% in June 2006, as market participants attempt to discern the future course of economic growth.

STATEMENT OF COMPLIANCE



The San Diego County Pooled Money Fund is in full compliance with the Treasurer's Pooled Money Fund Investment Policy. The Treasurer's Pooled Money Fund Investment Policy is more restrictive than the California Government Code. The Policy is reviewed annually by the County's Treasury Oversight Committee and approved by the San Diego County Board of Supervisors.

4TH QUARTER 2006 ECONOMIC REVIEW

• National Economic Update

Economic activity was mixed in the fourth quarter. The employment report displayed moderate growth, as non-farm payrolls averaged a monthly gain of 135,000 during the quarter, while the unemployment rate fluctuated between 4.4% and 4.5%. The housing market remained weak, although there were some signs that the market may be reaching a bottom. Inflation statistics moderated somewhat during the quarter, with both overall CPI and core CPI (ex food and energy) declining from their mid-summer highs. Nevertheless core CPI has remained stubbornly above the FOMC's comfort range, and will bear watching in the future. The final reading for third quarter Gross Domestic Product was 2.00%.

	Current Reading	Period	One Year Ago
Unemployment Rate	4.5%	Dec-06	4.9%
Consumer Price Index (YOY)	2.5%	Dec-06	3.4%
Retail Sales (YOY)	5.4%	Dec-06	5.7%
Consumer Confidence	109.0	Dec-06	103.8
Housing Starts	1230	Dec-06	1633
Gross Domestic Product	2.0%	Q3 2006	4.2%

